

# **BARRIERS TO EFFECTIVE GOVERNMENT-INDUSTRY & GOVERNMENT-UNIVERSITY PARTNERSHIPS**

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# **GOVERNMENT- INDUSTRY**

# Company Size and Decision Makers

- ◆ Difficult to Enter into CRADAs with Large Companies
  - But, They Have the Most Money
- ◆ Easier to Enter into CRADAs with Small Companies
  - But, They Don't Have Much Money

# Company Size and Decision Makers, Cont. Large Companies

- ◆ Bench Level Worker Excited about Government Technology
  - But, They Are Not Financial Decision Makers
- ◆ Management Wary of Doing Business with Government
  - Only Works When Bench Level Worker Pushes Long and Hard

# **Company Size and Decision Makers, Cont. Small Companies**

- ◆ Bench Level Worker Excited about Government Technology
- ◆ Bench Level Worker Also Financial Decision Maker
  - But, They Don't Have Much Money

# **Company Size and Decision Makers, Cont. Large Companies**

- ◆ Don't Want to Share Intellectual Property Rights
- ◆ Want Government Reward to be Payment for Work, and That's It
  - And, They Want It at Low Cost
- ◆ In Fairness, This Is Same Deal They Expect with Private R&D Companies

# **Company Size and Decision Makers, Cont. Large Companies**

- ◆ Industry Concerned They Will Have to Follow Complex Government Accounting Rules and Face Audits by Defense Contract Audit Agency (DCAA)
- ◆ CRADAs, Cooperative Agreements, Grants, Educational Partnerships, Etc., Are Not Governed by the Federal Acquisition Regulations (FAR)



# **Company Size and Decision Makers, Cont. Large Companies**

- ◆ Grants and Other “Assistance” Agreements (as opposed to “Contracts”) Are Generally Governed by DoD Grants and Agreements Regulations (DoDGARs)
- ◆ DoDGARs Require Only Generally Accepted Accounting Principals (GAAP) and May Require Audits by Independent Auditors for Awardees Receiving >\$300,000 in One Year



# Government Subcontractor Problem

- ◆ Government Contractors Have Right to Elect to Retain Title to Inventions Made by Their Employees
- ◆ Government Then Cannot Grant Exclusive License to CRADA Partners
- ◆ Air Force Attempting to Amend FAR to Change Rules for Work Done under CRADA

# Trustworthiness of Government to Keep Trade Secrets Secret

- ◆ Industry Concerned that Government Will Not Protect Industry Trade Secrets or “Trade Secret” Information Developed Under Agreement
- ◆ Government Actually Goes to Great Lengths to Protect Industry Trade Secrets
- ◆ Under a CRADA, Information Developed Under Agreement May Be Exempt from FOIA for Up to Five Years

# Trustworthiness of Government to Keep Trade Secrets Secret, Cont.

- ◆ In Special Circumstances, Industry is Concerned About Government Desire to Publish Results
- ◆ Problem is No Worse Than Working with Universities
  - Publishing Pressure is Actually Less in Government and There Are A Variety of Means for Limiting Distribution

# Indemnification Problem

- ◆ Government CRADAs May Require Industry Collaborator to Indemnify Government for All Risks
- ◆ Industry Often Views This as Unreasonable
- ◆ Some Modification Possible, Particularly Insurance Certifications and Making Government a Named-Insured Under Company Policy

# Domestic Manufacture Requirement Problem

- ◆ Stevenson-Wydler Requires Government Agencies to Give Preference to Business Units Located In the United States Which Agree that Products Embodying Inventions Made Under A CRADA be Manufactured Substantially in the United States

# Dispute Resolution Problems

- ◆ Dispute Resolution Clauses Are Often Felt by Industry and Universities to Overly Favor Government
- ◆ Government Officials Are Sensitive to Contract Provisions That May Give Authority to a Nongovernment Person Over Government Activities



# Cherry Picking

- ◆ Industry Wants Government to Fund the R&D for Potentially Less Valuable Technologies
- ◆ Industry Wants to Fund R&D for the Potentially More Valuable Technologies and Not Give an Non-Exclusive License to Government

# Cherry Picking, Cont.

- ◆ Issue is What is Fair Apportionment of Intellectual Property Rights

# Not Invented Here

- ◆ Often Problem is Not Resistance to Outside Inventions, But Feeling, Usually on Management Level, That Company Hasn't Even Had Time and Resources to Fully Exploit its Own Inventions

# **GOVERNMENT- UNIVERSITIES**

# Inventorship and Ownership

- ◆ Air Force Graduate Student Working on University Research Projects Makes Invention
- ◆ Under Bayh-Dole, University Wants to Pay Share of Any Royalties Directly to Air Force Inventor
- ◆ Under U.S. Law, Government Employee May Not Receive Compensation From Any Other Source

# **Inventorship and Ownership, Cont.**

- ◆ Government Agency May Take Patent Assignment from Its Employee
- ◆ Then Take Royalty Share from University
- ◆ Then Pay 20% to Employee under Stevenson-Wydler



# Intergovernment Personnel Act Agreements

- ◆ Provide for States to Employ Federal Employees and Vice-Versa
- ◆ Rarely Include Provisions for Who Has Right of Assignment from Employee for Intellectual Property
- ◆ Can and Should Include Such A Provision

# Royalty Sharing

- ◆ Universities Believe Government Wants too Large a Share for Having Government Employee Co-Inventor
- ◆ Government Labs Need All the Money They Can Get
  - If There Is a Royalty Pie, We Should Have a Piece of It

# Royalty Sharing, Cont.

- ◆ If Government Will Own Part of Patent, Then University Wants Government to Pay Part of Patenting Costs
- ◆ Government Does Not Want a Free Ride, But Often Has Legal Difficulties in Sharing Patenting Costs
- ◆ Government Can Agree in Assignment or Exclusive License to University that Share of Patenting Costs Are Credited Against Royalties